



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board
Pete T. Cenarrusa, Secretary of State
Alan G. Lance, Attorney General
J. D. Williams, State Controller
Marilyn Howard, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

FINAL MINUTES JANUARY LAND BOARD MEETING January 20, 1999 9:00 AM

The regular meeting of the Idaho State Board of Land Commissioners was held on January 20, 1999, in Boise, Idaho. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Pete T. Cenarrusa
Honorable Attorney General Alan G. Lance
Honorable State Controller J.D. Williams
Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Stanley F. Hamilton

Governor Kempthorne stated this was his first opportunity to serve in this capacity in regard to the State Board of Land Commissioners. He recognized Fred Kisabeth a former Idaho Department of Lands employee. Governor Kempthorne said when he was a young man, just out of the University of Idaho, Mr. Kisabeth took him "under his wing" and helped him understand many of the intricacies of the Idaho Land Board. He said that Mr. Kisabeth was one of those "wonderful state employees" that he has had the great opportunity to work with.

Governor Kempthorne said he was delighted to join the other Land Board members and expressed a welcome to Marilyn Howard, Superintendent of Public Instruction on her first time with the Land Board. Governor Kempthorne then called on Director Hamilton to provide the Land Board with an overview of the agenda.

CONSENT AGENDA

The motion was made by Attorney General Lance and seconded by Secretary of State Cenarrusa to approve the consent agenda in its entirety. The motion carried on a vote of 5-0.

1. The following official transactions were approved:

Bureau of Minerals for November 1998
Bureau of Real Estate, Easement Section for November 1998
Bureau of Real Estate, Land Sale Section for November 1998

Timber Sales for the period November 25, 1998 through December 23, 1998
Bureau of Minerals for December 1998
Bureau of Range Management and Surface Leasing for Cropland, Grazing,
Cottage Site, Miscellaneous and Submerged Land Leases for December 1998

2. The following timber sale, staffed by Ron Litz, Chief, Bureau of Forest Management, was approved:

A. Mill Canyon CR-8-0072 2,185 MBF

3. The following application for addition to the qualified bidders list for timber sales, staffed by Ron Litz, Chief, Bureau of Forest Management, was approved.

Lakeshore Tie & Lumber, Inc.
11220 N. Government Way
P.O. Box 729
Hayden Lake, ID 83835

4. The application for B.F. Redi Mix Inc. mineral lease renewal, staffed by Scott Nichols, Chief, Bureau of Minerals, was approved.
5. The request from Heidi Baldwin for release of irrevocable Letter of Credit -SLCSO01708 - Owl Rock Road, staffed by Perry Whittaker, Chief, Bureau of Real Estate, was approved.
6. The following minutes were approved:

October 1, 1998 Cottage Site Subcommittee Meeting
October 26, 1998 Special Land Board Meeting
November 23, 1998 Cottage Site Subcommittee Meeting
November 23, 1998 Regular Land Board Meeting
December 15, 1998 Regular Land Board Meeting

REGULAR AGENDA

7. Director's Report - Presented by Stanley F. Hamilton, Director, Department of Lands

Director Hamilton informed the Board that the Director's report does not require any Board action. It is a report based on information the Director feel would be of importance to the Board members.

The Director's report consisted of:

1. Summary of the fiscal 1999 Principal Fund Balances and Revenue Composition.
2. Endowment Contribution by funds FY 1994 - FY 1999 year-to-date
3. Income Contribution by funds FY 1994 - FY 1999 year-to-date
4. Total Permanent Endowment
5. Total Income Contributions

Governor Kempthorne stated that in November 1998, the people approved HJR 6 and HJR 8, which allows additional financial tools to be used with regard to the Endowment Investment Fund. He stated that it was his understanding that the effective date, by statute, is July 1, 2000. He asked Director Hamilton if there were any way this date could be accelerated.

Director Hamilton said that some of this is in Code and some is in the Constitutional Amendments. If this is in Code, it might be possible to accelerate. If it is in the Constitutional Amendments that this is the date, it would be locked in at July 1, 2000. Governor Kempthorne said that if we could accelerate that date and accomplish what the goal is – greater money for schools – we should do what we can. Secretary of State Cenarrusa said if we could accelerate the date, it would be in the best interest of the Board to do so.

Director Hamilton stated that this issue would be looked into and the information would be brought back to the Land Board members at the January 26, 1999 special meeting.

8. Request for final approval to complete Grouse Creek/Mary Mix land exchange between the state of Idaho and U.S. Forest Service - Presented by Perry Whittaker, Chief, Bureau of Real Estate

Director Hamilton introduced the agenda item stating that this request was before the Land Board at a prior meeting. Perry Whittaker provided the background information.

Department staff is working with the Idaho Panhandle National Forest to complete a desired land exchange involving acquisition of 2,680 acres of federal land for 1,880 acres of State land. The exchange involves state and federally owned timberland from north of Sandpoint to federally owned lands lying east of Clarkia in the state Floodwood block.

The timber volumes for the exchange were cruised by a mutually acceptable contract cruiser. Department staff and the U.S. Forest Service check cruised a portion of the plots to verify cruise accuracy.

Staff appraisers for both agencies have conducted a joint appraisal of the properties. The appraisals were subsequently reviewed and approved resulting in an equal value exchange. Both state and federal lands have an appraised value of \$6,240,000.

Department staff recommends approval to complete the Grouse Creek/Mary Mix land exchange.

Secretary of State Cenarrusa stated that this is a good exchange with the Forest Service, with the acres involving the Clustered Lady Slipper being removed. Attorney General Lance informed the Board that the original exchange had 40 acres that contained the Clustered Lady Slipper. Even though it was not listed on the Endangered Species Act, the local Forest Service Representative placed deed restrictions in the agreement that would require the state to maintain this sensitive species. Attorney General Lance said that with this acreage being removed, it is now a good exchange.

The motion was made by State Controller Williams and seconded by Secretary of State Cenarrusa to approved the recommendation of the Department. The motion carried on a vote of 5-0.

9. Request to approve the sale of 15.12 acres of property owned by the Idaho Department of Fish and Game located in Nez Perce County - Sweetwater Springs

Fish Hatchery Site - Presented by Don McNarie, Real Estate Specialist

Director Hamilton introduced the agenda item. Attorney General Lance requested that this agenda item be removed from the agenda and presented at the special meeting of January 26, 1999. He stated that recent information has been received on this issue that counsel has not had the opportunity to review. He said that this information could possibly change the direction of the recommendation

Governor Kempthorne asked if there were any objections to this item being moved from the current agenda to the January 26, 1999 agenda. There were no objections.

10. Federal Lands Task Force - "The Next Step" - Presented by Stanley F. Hamilton, Director, Department of Lands

Director Hamilton informed the Land Board that this issue is now at a point where the Land Board needs to consider what the next step might be for consideration of the Federal Lands Task Force (FLTF) report recommendations.

The Department requested public comment on the report. The comment period was open from September 15, 1998 through November 15, 1998. The comments were provided to the Land Board along with a summary sheet of the results of those comments. The question on the comment form regarding favoring testing of a pilot project - 64 out of 76 favored testing.

Director Hamilton said he felt the question before the Land Board is "Do you want to have the recommendations of the FLTF implemented?"

Director Hamilton stated that the co-chairs, Senator Danielson and Representative Cuddy were available for comments and questions.

Director Hamilton reviewed the recommendations that were set forth for discussion by the Land Board. He noted that the Land Board members may have suggestions for changes to these recommendations.

1. The Board should name a small Workgroup of people to review the FLTF report and recommendations – five to seven individuals familiar with the issues would be an effective group

Director Hamilton stated that this group should not reopen the deliberations of the Task Force, their focus should be on implementation.

2. The Board should direct the department to seek general funds for FY-1999 and FY-2000 to contract for services of a Project Coordinator.

A supplemental in the amount of \$50,000 would move the project forward in FY-99. An additional \$100,000 will be required to complete the project in FY-00. The money would be used to acquire the services of a Project Coordinator and to pay for related travel and per diem costs of the Workgroup.

3. The Workgroup should develop a strategy for accomplishing the recommendations of the FLTF.

4. The Workgroup should work with the congressional delegation to develop legislative (federal) strategy and draft legislation.
5. The Workgroup should select at least one, and probably more, pilot project areas, working in conjunction with interested parties.
6. The Workgroup should report back to the Board periodically, and present its final report by June 30, 2000.

Director Hamilton stated there were several recommendations for pilot projects. Priest Lake Ranger District was the highest with eleven recommending that area. Others that were recommended were: Panhandle National Forest (3), Clearwater National Forest (8), Polouse Ranger District (1), Payette National Forest (4), Boise National Forest (4), Sawtooth National Forest (1), Boise Front (1), and Anywhere received (2), Nez Perce National Forest (8), Elk City Ranger District (1), Red River Ranger District (1), St. Maries Ranger District (to Red Ives) (1), Minidoka Wildlife Refuge (1).

Governor Kempthorne recognized the co-chairs, Senator Judi Danielson and Representative Chuck Cuddy. He complimented the co-chairs on their assignment and the wonderful work that was done. He stated that they worked with an excellent, spirited group.

Secretary of State Cenarrusa stated that he felt the co-chairs had done an excellent job. He stated that as he read the comments, most were in agreement that something should be done about this. The federal system is not working and the state should enter into a pilot projects.

Senator Danielson stated that there have been a number of inquiries from around the nation regarding the progress of the FLTF. She feels they are looking to Idaho to lead the charge on this issue. She stated that she feels it is imperative that the second stage be implemented. Idaho ought to look at this implementation because there is more Forest Service (FS) land here than in any other state – not more public land, but more FS land. She commented that she would appreciate the Land Board going ahead with this issue.

Representative Cuddy stated that the Task Force was near and dear to his heart. He stated that the county he lives in and the adjacent county's revenues have reduced about \$4,000,000 per year due to inactivity on the federal lands. He said this has to be made up by property tax. This becomes a burden on the local people and it also reflects in the school funds.

Representative Cuddy commended the state land department for the management that has been done in his area. He stated that the Department of Lands has to operate under the same laws as the federal lands and are returning a substantial amount of money from the state lands to the school endowment fund. Most of the federal management has turned into a deficit. He stated that it is clear that we have to do something and hoped that the Task Force has pointed out the right direction. He asked that the Land Board continue to pursue this issue.

Governor Kempthorne said if you take a timber dependent community and they have not been allowed any timber harvest, you have lost revenue to the schools and it does have a direct impact on the children and the property tax. He stated that this area probably has a higher unemployment rate in those communities because of this situation. It is a serious problem that is compounded repeatedly. He asked Senator Danielson and Representative Cuddy to address a concern that was raised in the comment letters. Some felt if the state has charge of these

lands, the only objective will be to harvest timber, regardless of the consequence, in order to maximize revenue.

Representative Cuddy stated that he lives in the fastest growing timbered forest in America, east of the Cascade divide. That land has been very well management on a sustained yield basis.

Governor Kempthorne said it was his impression that because of the lack of timber sales on federal lands, we are continually seeing a build-up of fuel load. The predictions are that we are going to see dramatic forest fires that will destroy hundreds of thousands of acres of land because of a fuel load, however, this is not the case with the state lands where we have done thinning, etc.

Director Hamilton said that in the Forest Service lands, there are many, many areas where there has been a change in the species composition where we have some forest health conditions developing. If that follows through to its logical conclusion, with fuels build-up, we will have some catastrophic fires. Normally this is not seen on state and private lands because we go in and harvest enough to deal with the species differentiation. The state maintains stocking levels of the lands at a level where they can be maintained so we don't have quite the problem with insects and disease that perhaps the Forest Service does.

Governor Kempthorne said that he felt the state moved in rather expeditiously when they have insect and disease problems in the timber. Director Hamilton stated wherever it was possible, and economically feasible, the state does that. There are places that cannot be reached. The state makes every effort to harvest any salvage that might be generated.

Governor Kempthorne said the reason he thought the Task Force effort is so important and will be successful is because it would do two things. (1) It enhances the land itself, the environment and (2) by good management, it does allow us to obtain revenue which helps in many of the situations we are dealing with including education.

Attorney General Lance echoed the Governor's remarks concerning the work that the Task Force has done. He asked the co-chairs if they were aware of any state lands that are endangered as a result of lack of management by the Forest Service when it comes to insect infestation, potential fire hazard, or disease. Are we at risk in terms of some of our assets because our neighbors are not managing their lands properly?

Senator Danielson said she felt there was a serious problem up north with the bug infestation. She said she heard that the bug infestation was compared to the Anthrax problems that occur with the cattle industry.

State Controller Williams said he felt the Governor was accurate with his comments. He said he had attended several of the Task Force meetings and he felt they did a well-balanced job. There were some of the environmental groups who decided not to participate. He said as this working group comes up with recommendation to the Board, it will have to be very balanced and it will have to be a win-win for both the people of Idaho and also for the 38 states who do not have as many public lands. This is not for the "faint of heart". It is going to take a lot of work. There are so many communities in Idaho where this is so important. Why fear trying – let's try.

Superintendent Howard said she was pleased that the trust agreement came out as the primary choice in the comments that were received. She said this is a validation shows that there is a

trust in the state for managing lands. She said there is a great potential for a pilot project that can really answer the questions that are being posed. She said she would encourage the group to do two things - (1) choose a pilot project in an area that would give the state its best chance for success and (2) if it is possible – even in the multiple use format – to produce some income, to have the public schools be a recipient of a portion of that income.

Secretary of State Cenarrusa also echoed the thoughts of the Controller and Superintendent. He stated that when Idaho became a state, in the Constitution we had to agree to forever disclaim ownership of any federal land. Do we have to have Congressional change to enter into a pilot project with the Forest Service for land management? State Controller Williams said there would probably have to be some indication from Congress, with the bill signed by the President, to proceed. There will more than likely have to be some legislation.

Senator Danielson referred back to the issue of deferring back to the local taxpayers. She said Idaho has a problem in Idaho with a 3% cap on local property tax so essentially we are bankrupting those communities. She said proceeding on with this issue will not be easy and there will not be total agreement.

Secretary of State Cenarrusa asked Senator Danielson, what kind of money is needed and when is it needed to proceed with the Task Force. Senator Danielson said the amounts stated in the recommendations would be a good start. She said the Task Force has worked on depletion of the Department's funds and this would probably be a good start. She brought out that there has been a great deal of volunteer time involved by the participants.

Governor Kempthorne said this had been discussed with the co-chairs of JFAC and asked Senator Danielson about their receptivity. Senator Danielson said she discussed with them that this might come out at the Land Board meeting and she stressed to them how important it was.

The motion was made by Attorney General Lance and seconded by Superintendent Marilyn Howard to adopt all six (6) of the recommendations provided in the Land Board Memorandum. The motion carried on a vote of 5-0.

11. Draft Legislation

Presented by Stanley F. Hamilton, Director, Department of Lands

Director Hamilton stated that this agenda item relates to proposed legislation that the department is bringing before the Board for consideration. He informed the Board that some of the legislation before the Board would require some changes.

Attorney General Lance requested that all pieces of legislation be brought back before the Board at the special meeting on January 26, 1999. There were no objections.

INFORMATION AGENDA

Director Hamilton briefed the Land Board on the information issues.

12. Timber sale activity report

13. Interest rate update

14. Triumph Mine update
15. 1999 Container Seedling Growing Contract
16. Gypsy Moth update
17. Marvin and Sharon Erickson - Denial of Petition for Rehearing

Governor Kempthorne said it had been suggested to him that the bark beetle infestation in North Idaho might be a problem. Director Hamilton said he felt the bark beetle problem is going to be a major problem in North Idaho. The department is currently working on this issue with the Forest Service. They are very concerned about the bark beetle and are looking for ways to deal with it. Director Hamilton said he would arrange a briefing on the bark beetle at the February 18, 1999 meeting.

There being no further business to be brought before the Land Board, the meeting adjourned at 10:15 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne
President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Pete T. Cenarrusa
Pete T. Cenarrusa
Secretary of State

/s/ Stanley F. Hamilton
Stanley F. Hamilton
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the April 13, 1999 regular Land Board meeting.